

Approved as Submitted: May 21, 2003

**CITY OF MORGAN HILL
JOINT REGULAR CITY COUNCIL
AND SPECIAL REDEVELOPMENT AGENCY MEETING
MINUTES – MAY 7, 2003**

CALL TO ORDER

Mayor Pro Tempore/Vice-Chairperson Chang called the special meeting to order at 7:00 p.m.

ROLL CALL ATTENDANCE

Present: Council/Agency Members Carr, Sellers, Tate and Mayor Pro Tempore/Vice-Chairperson Chang

Absent: Mayor/Agency Chairman Kennedy

DECLARATION OF POSTING OF AGENDA

City Clerk/Agency Secretary Torrez certified that the meeting's agenda was duly noticed and posted in accordance with Government Code 54954.2.

SILENT INVOCATION

PLEDGE OF ALLEGIANCE

At the invitation of Mayor Pro Tempore/Vice-Chairperson Chang, Deputy Director of Public Works Karl Bjarke led the Pledge of Allegiance.

PROCLAMATIONS

Deputy Director of Public Works Bjarke accepted the proclamation of *Bike to Work Week* for the week of May 11-7, 2003 from Mayor Pro Tempore Chang.

Deputy Director of Public Works Bjarke accepted the proclamation of *National Public Works Week*, for May 18-24, 2003 from Mayor Pro Tempore Chang.

RECOGNITIONS

Mayor Pro Tempore, serving as a representative for Senator Bruce McPherson's office, presented Certificates of Recognition from the Senator to staff in honor of completion of the Community and Cultural Center and in honor of the completion of the Community Playhouse.

CITY COUNCIL REPORT

Mayor Pro Tempore/Vice-Chairperson Chang distributed and reported on the Cities Association Legislative Action Committee (LAC) Report. She indicated that the LAC took positions on various bills and will be sending letters in support/non support as indicated in the report. She indicated that the LAC is not supporting AB1160, the administrative approval of secondary units because the guidelines are not working. She also distributed and reported on the Regional Water Quality

Control Board meeting. The Board, in conjunction with the Santa Clara Valley Water District, has come up with six proposals for individuals to evaluate how to treat perchlorate groundwater contamination. If there are any questions, she requested that Jim Ashcraft, Public Works Director, be contacted.

OTHER REPORTS

Council Member Tate reported that last night the Measure P Update Committee held the 20th and perhaps the last meeting. The Committee met with Chris Taylor who is with the law firm who helped the City draft the language that is being suggested to be placed on the ballot for the Measure P update. Ms. Taylor is with the same firm that helped the citizens group that drafted the Measure P back in 1990 and who had a lot of familiarity with Measure P. Ms. Taylor expressed concern with some of the items being proposed and that they were the same items that some of the Planning Commissioners and the City Council had concerns with when it came to them for review. She talked the Committee into changing some of the issues or rearranging their location on the draft ballot measure. Ms. Taylor will be taking the Committee's input and draft the final language for the ballot. The draft ballot language will be circulated to the 18-member Committee. The final recommendation will come back to the Planning Commission and the City Council. If Ms. Taylor will be suggesting something that is very controversial, the Committee will meet one more time. He also reported on Youth Empowered for Success (YES), indicating that Morgan Hill was the first governmental agency in the County to adopt the 40 Developmental Assets and that five other agencies in the County have adopted them. He stated that on Monday night, the School Board of the Morgan Hill Unified School District, adopted the 40- Developmental Asset as their guidelines. He indicated that School Board Member Tom Kinoshita has been working closely with him on the YES Committee and will continue to do so with the support of the School Board.

Council Member Sellers announced that among the activities to be held this weekend, the Downtown Association is promoting a sidewalk sale and the reopening of the Farmers Market. He encouraged the community to attend the Farmer's Market and to circulate through the downtown, making this a weekly habit.

CITY MANAGER REPORT

City Manager Tewes reported that the fourth annual Art A La Carte will be taking place on Saturday, May 17, 2003.

Recreation and Community Services Manager Spier indicated that the theme for the fourth annual Art A La Carte is "Magic of the Arts." She stated that this year, the City was fortunate to have First Five as a co sponsor along with the City of Morgan Hill. Because of these two co-sponsors, the event will be offered free of charge. Art A La Carte has partnered with the Police Department who will be conducting a safety fair. She encouraged families with children ages 0-12 to attend Art A La Carte from 11 a.m. to 3 p.m. on Saturday, May 17. She stated her appreciation of the Council's co-sponsorship of this event.

CITY ATTORNEY REPORT

Acting City Attorney Siegel stated that there was not a city attorney's report to present this evening.

PUBLIC COMMENT

Mayor Pro Tempore/Vice-Chairperson Chang opened the floor to public comment for items not appearing on this evening's agenda. No comments were offered.

City Council Action

CONSENT CALENDAR:

Action: *On a motion by Council Member Tate and seconded by Council Member Sellers, the City Council, on a 4-0 vote with Mayor Kennedy absent, **Approved** Consent Calendar Items 1-9 as follows:*

1. LEAGUE OF CALIFORNIA CITIES RESOLUTION

Action: **Provided** *Direction to Designated Voting Member.*

2. APPOINTMENTS TO THE PERCHLORATE CITIZENS ADVISORY GROUP

Action: **Approved** *the Mayor's Appointment to the Perchlorate Citizen Advisory Group.*

3. APPROVAL OF IMPROVEMENT AGREEMENT WITH SAFEWAY, INC.

Action: *1) **Approved** the Improvement Agreement; and 2) **Authorized** the City Manager to Sign the Agreement on Behalf of the City with Safeway Inc.*

4. THIRD QUARTER REPORT, 2002-2003 WORKPLAN

Action: **Accepted** *Report.*

5. BI-ANNUAL VACANCY RATE SURVEY

Action: **Established** *the Bi-Annual Vacancy Rate for April 2003 as Recommended by the Planning Commission.*

6. SUPPLEMENTAL LAW ENFORCEMENT SERVICES FUND

Action: **Approved** *the Fiscal Year 2002-2003 Spending Plan for Supplemental Law Enforcement Services Fund.*

7. ADOPT ORDINANCE NO. 1614, NEW SERIES

Action: **Waived** *the Reading, and **Adopted** Ordinance No. 1614, New Series, and **Declared** That Said Title, Which Appears on the Public Agenda, Shall be Determined to Have Been Read by Title and Further Reading Waived; Title as Follows: AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL APPROVING AN AMENDMENT TO ORDINANCE NO. 1523, NEW SERIES, TO AMEND THE DEVELOPMENT AGREEMENT TO*

INCORPORATE AN EXCEPTION TO LOSS OF BUILDING ALLOCATION FOR APPLICATION MP 00-09: LLAGAS-DELCO. (APN 764-32-005).

8. ADOPT ORDINANCE NO. 1615, NEW SERIES

Action: Waived the Reading, and Adopted Ordinance No. 1615, New Series, and Declared That Said Title, Which Appears on the Public Agenda, Shall be Determined to Have Been Read by Title and Further Reading Waived; Title as Follows: AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL APPROVING AN AMENDMENT TO ORDINANCE NO. 1523, NEW SERIES, TO AMEND THE DEVELOPMENT AGREEMENT TO INCORPORATE AN EXCEPTION TO LOSS OF BUILDING ALLOCATION FOR APPLICATION MP 00-10: HALE -DELCO (APNS 764-32-012 & 013).

9. ADOPT ORDINANCE NO. 1616, NEW SERIES, AS AMENDED

Action: Waived the Reading, and Adopted Ordinance No. 1616, New Series, as amended, and Declared That Said Title, Which Appears on the Public Agenda, Shall be Determined to Have Been Read by Title and Further Reading Waived; Title as Follows: AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL APPROVING AN AMENDMENT TO THE THARALDSON PLANNED UNIT DEVELOPMENT (PUD) AND PRECISE DEVELOPMENT PLAN TO REPLACE TWO SIT DOWN RESTAURANTS (6,300 SQUARE FOOT AND 8,000 SQUARE FOOT IN SIZE) WITH A 3,253-SQUARE FOOT DRIVE-THRU FAST FOOD RESTAURANT AND A SIT DOWN RESTAURANT 5,000 TO 6,500 SQUARE FOOT IN SIZE. (APNs 726-33-023 & -024) (ZA-02-18: COCHRANE-IN-N-OUT BURGER/APPLEBEE'S).

Council/Agency Member Sellers commented on the following Consent Calendar Items:

Item 1: He indicated that Mayor Kennedy, Mayor Pro Tempore Chang and he will be in Sacramento next week working directly with the City's legislators and legislative leaders urging them to do right by local communities. He stated that the League of California Cities has prepared a resolution and that it would be voted upon. He said that it is a unique situation for cities to be in but that these are unique times. It is his hope that the Council will report back at the next meeting.

Item 2: He thanked Mayor Kennedy for agreeing to serve on the Perchlorate Committee. He pointed out to the public the appointment of Evelyn Heinrich who will do an excellent job representing the City as she owns the Water Outlet and has a health background.

Item 5: He noted that the vacancy rate is a little higher than it has been in the past. He stated that one or two projects had higher vacancy rates. Otherwise, the rest of the city's vacancy rates were low. He wanted to comment on the vacancy rate for rental units because it has traditionally been exceedingly low. Even though the vacancy rate is a little bit higher than normal, he felt that the need is significant.

Item 9: The Council approved the project at Cochrane and Highway 101 (In-N-Out Burgers). He said that one of the off shoots of the approval was a discussion about how many fast food outlets were too many. He felt that this was an item worthy of further discussion and perhaps a policy

discussion. He requested that the Council discuss this issue following the budget discussions as there are broader policy concerns such as how the City deals with gateway centers.

Redevelopment Agency and City Council Action

CONSENT CALENDAR:

Action: *On a motion by Council/Agency Member Tate and seconded by Council/Agency Member Sellers, the Council/Agency Board, on a 4-0 vote with Mayor Kennedy absent, Approved Consent Calendar Item 10, as follows:*

10. JOINT SPECIAL AND REGULAR REDEVELOPMENT AND SPECIAL CITY COUNCIL MEETING MINUTES FOR MEETING OF APRIL 23, 2003

Action: Approved *the Minutes as written.*

City Manager/Agency Director Tewes informed the public that the Council has a rule that it does not open public hearings until 7:30 p.m., noting that it is not yet 7:30 p.m. He reported that item 14, a request to co-sponsor a “Support Our Troops” event, has been withdrawn because the sponsor of the event found that others were already planning such an event. The sponsor felt that it would be appropriate to focus all efforts on one event. The property owner for item 20, relating to the facade program, has requested that this matter come back at a later date.

Action: *It was the consensus of the Council/Agency to consider agenda item 15 at this time.*

City Council Action

15. CONSIDERATION OF BECOMING A GREEN CITY

Assistant to the City Manager Eulo presented the staff report. Should the Council be interested in becoming a green city, he requested Council direction that staff explore and proceed along this path until such a time that the effort gets to be too all encompassing and requires a lot of staff hours or the City needs to make capital expenditures. He said that in the next six months staff, would explore the concept and begin to become greener as there are no negative consequences to this whatsoever.

Council Member Tate stated that the staff report raised a red flag when it indicated that certification may be the toughest to achieve as it relates to the use of hazardous chemicals. This tells him that becoming green requires things that are not realistic. He stated that he would hate to get into a certification process where the City pretends things to qualify for the criteria. He felt that the City needs to figure out its own criteria, if this is the case.

Mr. Eulo felt that the program, as written, was flexible enough. He indicated that there are two ways to get certified: 1) showing a reduction in the use in such things as electricity, solid waste, or the use of hazardous chemicals; or 2) going through an analysis and implementing a specified number of measures to reduce the use of hazardous chemicals. He felt that in this particular area,

he over stated the concern. In his discussion with Carol Bird, there are ways for the City to proceed in a prudent manner that makes sense for all.

Council Member Tate said that the key phrase is that whatever the City does makes sense.

Mayor Pro Tempore Chang stated that she attended the event where an award was given to a city. She indicated that a few cities were certified that evening. These cities were certified based on vehicles used by the Public Works Department. It was her impression, at the time, that it was not a very difficult procedure and thus her recommendation to undertake the program. If it does not take too much time, she would like to see if becoming green can be accomplished and work toward certification. She noted that the City is the only city in the county that is doing a self recycling program and felt that the City should be able to achieve this goal as well.

Council Member Carr indicated that he formally served as the South County representative to the Pollution Prevention Control Committee that oversees the County's Green Program. He was on the Committee when Palo Alto was going through their process as well as two businesses in Morgan Hill, Ego Care House Cleaning and Educating Data Systems, who received their certifications as well. He felt that the City should find ways to become green and that they should be goals. He was going to recommend that the Council take a look at this as part of the budget process. However, he felt that Mr. Eulo's suggestion of Council asking staff to begin the process and work through it for six months, reporting to the Council with a status report, would give the Council an idea of what it would entail to follow through with the program. If the City is going to participate in a program, he felt that the Council needs to know what it is getting into and be willing to finish the program. This being said, he would be willing to support staff's recommendation of beginning the procedure/process in gathering information and coming back to the Council within six months before any expenditures are made to become a green city.

Council Member Sellers stated that this is a laudable goal and that it should be pursued. However, the Council is asking staff to do more and more with less and less these days in this budget climate. He was anxious that the Council was giving staff another charge without the resources to proceed. He felt that the Council needs to state that in the course of staff's workload, and staff is able to move this program along, that would be great.

Action: *On a motion by Council Member Carr and seconded by Council Member Tate, the City Council, on a 4-0 vote with Mayor Kennedy absent, **Supported** staff's recommendation of beginning the procedure/process in gathering information and returning to the Council within six months and/or before any expenditures are made to become a green city.*

16. STATE FUNDING FOR LIBRARY TRANSACTIONS

Assistant to the City Manager Eulo presented the staff report indicating that it is difficult for cities to be opposing every reduction that the Governor proposes and still appear to be responsible. He requested Council direction regarding the state funding for Library transactions.

Council Member Tate said that there are several reductions that the State is looking at for libraries. He noted that the Legislative Subcommittee is recommending that the City support some of the State's recommended funding for library transactions. He stated that he focused only in one area, the Transaction Based Reimbursement (TBR). He indicated that the Governor is recommending that cities replace services that the State currently funds to the point of \$12 million per year with a fee to use the library. This would be the first imposition of a fee to borrow a book if it is to be returned to a different location. He noted that the State currently reimburses the whole concept of TBR which is heavily utilized in Silicon Valley. Of the \$12 million, approximately \$2 million comes to Santa Clara County for the TBR. This would do away with the free library system as it is known today. He strongly opposed this portion of the reduction recommendation.

Council Member Sellers concurred with the comments expressed by Council Member Tate. He said that when the Legislative Subcommittee discussed this issue, it was a significant philosophical issue that he had with it. It was envisioned that the Library was to be free. To charge for transfer of books would hurt communities such as Morgan Hill who have a significant dependence on the library and who does not have the resources that some of the larger communities have. This appears to be an unfair burden. The Legislative Subcommittee opposed the Governor's TBR recommendation. He felt that it would make more sense to have additional reductions in other library services before implementing a measure such as this one.

Council Member Carr said that the Legislative Subcommittee did not take a position on this issue because it wanted to hear from Council Member Tate. He supported Council Member Tate's position.

Mayor Pro Tempore Chang opened the floor to public comment. No comments were offered.

Action: *On a motion by Council Member Tate and seconded by Council Member Carr, the City Council, on a 4-0 vote with Mayor Kennedy absent, **opposed** the TBR.*

City Council Action

PUBLIC HEARINGS:

11. DEVELOPMENT AGREEMENT APPLICATION, DA-00-01: CHRISTEPH-KOSICH – Ordinance No. 1617, New Series

Director of Community Development Bischoff presented the staff report and stated for the record that the need for the extension/exception to loss of building allocation has to do with the extended delays in permit processing and was not the result of developer inaction. Staff finds this to be the case as did the Planning Commission.

Mayor Pro Tempore Chang opened the public hearing. No comments being offered, the public hearing was closed.

Action: *On a motion by Council Member Tate and seconded by Council Member Sellers, the City Council, on a 4-0 vote with Mayor Kennedy absent, **Waived** the Reading in Full of Ordinance No. 1617, New Series.*

Action: *On a motion by Council Member Tate and seconded by Council Member Sellers, the City Council **Introduced** Ordinance No. 1617, New Series, by Title Only, as follows: **AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL APPROVING A DEVELOPMENT AGREEMENT FOR APPLICATION MP-99-04: CHRISTEPH COURT - KOSICH (APN 764-32-024)/(DA-00-01: CHRISTEPH - KOSICH)** by the following roll call vote: *AYES: Carr, Chang, Sellers, Tate; NOES: None; ABSTAIN: None; ABSENT: Kennedy.**

12. DEVELOPMENT AGREEMENT DA 02-09: DEWITT-MARQUEZ SUBDIVISION – Ordinance No. 1618, New Series

Director of Community Development Bischoff presented the staff report.

Council Member Tate said that he read the minutes of the Planning Commission meeting and that there were references in the minutes to geotechnical problems. He noted that one of the Commissioners voted “no” based on soil instability. He stated that there was no explanation in the minutes as to the issue.

Mr. Bischoff said that it was his understanding that although geotechnical problems were expressed by a neighbor, there was nothing in the findings that suggest that this is a problem. He stated that the proper engineering has been prepared for the project. The minutes reflect that the project engineer, Bill McClintock, suggests that these issues have been resolved. He said that wherever there are slopes there are potentials for geotechnical issues. However, there is not an area in the City that is subject to significant geological constraints and that there is typical engineering that needs to occur is required by the City’s zoning ordinance/building codes. This would have to be addressed as part of the project.

Mayor Pro Tempore Chang opened the public hearing. No comments being offered, the public hearing was closed.

Action: *On a motion by Council Member Sellers and seconded by Council Member Carr, the City Council, on a 4-0 vote with Mayor Kennedy Absent, **Waived** the Reading in Full of Ordinance No. 1618, New Series.*

Action: *On a motion by Council Member Sellers and seconded by Council Member Carr, the City Council **Introduced** Ordinance No. 1618, New Series, by Title Only, as follows: **AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL APPROVING DEVELOPMENT AGREEMENT, DA 02-09 FOR MP 02-02: DEWITT - MARQUEZ SUBDIVISION (APN 773-08-014)** by the following roll call vote: *AYES: Carr, Chang, Sellers, Tate; NOES: None; ABSTAIN: None; ABSENT: Kennedy.**

13. DEVELOPMENT AGREEMENT DA 03-01: CHRISTEPH-KAMANGAR/PINE BROOKS TRUST – Ordinance No. 1619, New Series

Director of Community Development Bischoff presented the staff report, indicating that supplementation information has been placed on the dias that identifies a condition that was inadvertently left off from the development agreement, as recommended by the Planning Commission, who wanted to see this application come to closure. This is an added condition that would require that the final map be recorded by May 7, 2004. To ensure that this takes place, there is a requirement that all documents be delivered to the City by April 15, 2004 and that failure to do so would result in termination of the project and vesting tentative map approvals. He indicated that the applicant is aware of this condition.

Council Member Tate said that the Planning Commission minutes reflects that one of the Commissioners voted against the application. However, the minutes do not reflect the reason to give the Council insight into why the Commissioner voted against the application.

Planning Manager Rowe said that the no vote was from one Commissioner who felt that the provisions of Measure P should have, at some point in time, applied to this project. Therefore, objected to the continuance and that it was a philosophical difference with the subdivision map act requirement.

Mayor Pro Tempore Chang opened the public hearing. No comments being offered, the public hearing was closed.

Action: *On a motion by Council Member Tate and seconded by Council Member Sellers, the City Council, on a 4-0 vote with Mayor Kennedy Absent, **Waived** the Reading in Full of Ordinance No. 1619, New Series.*

Action: *On a motion by Council Member Tate and seconded by Council Member Sellers, the City Council **Introduced** Ordinance No. 1619, New Series, by Title Only, as follows: AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL APPROVING DEVELOPMENT AGREEMENT, DA-03-01: CHRISTEPH - KAMANGAR/PINE BROOKS TRUST (APN 764-32-025), incorporating the added condition as recommended by staff by the following roll call vote: AYES: Carr, Chang, Sellers, Tate; NOES: None; ABSTAIN: None; ABSENT: Kennedy.*

City Council Action

OTHER BUSINESS:

14. REQUEST TO CO-SPONSOR A “SUPPORT OUR TROOPS” EVENT AT THE COMMUNITY AND CULTURAL CENTER AMPHITHEATER

Action: *This item **was removed** from the Agenda at the request of the applicant.*

17. DOWNTOWN PLAN UPDATE: TASK FORCE FINAL REPORT

Planning Manager Rowe presented the staff report. He requested that the Council review the Plan recommendations and provide direction regarding any necessary changes. In particular, staff is requesting review of the land use strategies and any implementation priorities identified in the Task Force Report. He said that the public improvement priorities are also discussed in the Report. He indicated that Larry Cannon with the Cannon Design Group, the consultant retained by the City to assist staff and the Task Force in the development of the Downtown Plan, was in attendance to present the Report.

Mayor Pro Tempore Chang indicated that Council Member Sellers' and her office are located within 500-feet of the proposed new boundary. She requested that staff indicate why a conflict does not exist.

Acting City Attorney Siegel stated that it was his understanding that this issue has been researched and that the Fair Political Practices Commission has been contacted. It has been determined that due to the size and the impact of the Downtown Plan Update on the entire town, there is no conflict for any of the Council Members, specifically the two Council Members identified by Mayor Pro Tempore Chang.

Mr. Cannon presented a power point presentation on the Downtown Plan Update and walked the Council through the Downtown Task Force's Final Report.

Council Member Sellers thanked the 17-member Downtown Plan Update Committee as they were well informed and very passionate about the downtown. He also thanked staff and the consultant for all their hard work as there were issues that were raised, including unexpected delays, but that they worked through them. He stated that he was part of the document that the Committee come up with and was looking forward to getting the plan implemented.

Mayor Pro Tempore Chang referred to page 12 that addressed high density residential. She said that there was discussion about the density being up to 35-40 dwelling units per acre on the Sunsweet site.

Mr. Rowe stated that in the assessment of the opportunity sites identified by Kaiser-Marsten, it was indicated that there needs to be a certain density for a project to be marketable. In general, for multi family, this would be in the 35-40 dwelling units per acre range. For ownership projects, you would need approximately 18-dwelling units to the acre. He indicated that there are recommendations for the single family medium and multi family categories. He said that a portion of the Sunsweet property was identified as multi family. He indicated that there could be other densities in the transit oriented development corridor along Butterfield Boulevard. He stated that the density would vary depending on whether it would be an ownership or rental property.

Council Member Sellers indicated that the density range for multi family is 18-40 dwelling units per acre.

Mayor Pro Tempore Chang inquired as to the building height should the City move toward 35-40 units per acre. She noted that the downtown area has a building height limitation of approximately 35-feet.

Mr. Rowe said that it is possible to have a three-story building with a 35-foot height limitation. However, the building would have a flat roof in order to have enough floor space. He stated that the report recommends a maximum height of three stories and further recommends that the third story element be setback at least 15-feet from the two story element that faces the street to provide a transition. He said that one recommendation for not identifying a specific height is that if the City approves a three story building with 35 dwelling units per acre, you would have a hotel appearance. He noted that the Residence Inn and the Courtyard Hotels are three story buildings that incorporate full roof elements and are at 45 feet in height. He said that it was the consensus of the task force that it did not want the Plan to have anything more than three stories. To preserve the feel and the character of the downtown, which are predominately two story buildings, there had to be a stepping back of the third-story element away from the front facade in order to maintain the two story appearance and scale from public views.

Council Member Sellers said that you can look at a density of 20-30 units per acre but noted that you would not have a full acre and that the development would not have many units on the property. He said that it is more than likely to see residential above retail. He said that there are projects constructed in other communities where you would not have an idea that the density is higher than 40-dwelling units per acre. He felt that it was important to allow for diversity. He said that the Task Force reached a consensus that there is no interest in having this kind of a density throughout a huge corridor but recommends flexibility to have higher or lower density within the same area. He said that the height being discussed currently exists in the downtown. He felt that the issue of height versus stories is different and felt that what is being proposed is in keeping with the character that the height would not be higher than existing buildings. He noted that across the railroad tracks would be a building constructed of some significance that the County would be providing to the community. He felt that the scale would be consistent as well. He said that the task force was after the scale and design to make sure that it is proportional to what exists in the downtown.

Council Member Tate indicated that he raised the same concerns that Mayor Pro Tempore Chang did in the Task Force discussions. He said that you would have to visit the City of Mt. View to understand the issues. He said that he would be open to looking at the design of a building rather than to state that there has to be a maximum height of 42-feet or another maximum height limitation. He expressed concern with the larger density and what is done to the feel of the trees, shrubs and lawns as depicted in the renderings presented this evening. He said that landscaping will be incorporated to temper the building.

Mayor Pro Tempore Chang inquired where residents would park with a 40-unit development proposal.

Council Member Sellers said that parking is typically developed below grade or at least partially below grade to attain the advantage of ventilation. However, flood control issues play a big part in the design as well. The design would enhance a project and would allow retail development at the street level.

Council Member Carr inquired as to the process and where the Council would be going from this point. He inquired whether an implementation plan would be proposed.

Mr. Rowe said that the document discusses an implementation strategy and prioritization items such as conducting a traffic study, investigating the feasibility of narrowing Monterey Road, or using traffic calming devices. If there is concurrence on these particular items, staff would proceed with the preparation of the necessary environmental work which is a prerequisite to being able to adopt specific general plan changes. He indicated that the Council would need to amend the general plan to allow 40-dwelling units per acre density. The parking code would need to be amended to allow emphasis on the development of public parking facilities, waiver of the requirement for on site parking for non residential uses, and/or uniform parking standards that would apply to all the uses in the downtown. He stated that should the Council concur with the recommendations from the Task Force as outlined in the report, staff would proceed accordingly. If, however, there are some concerns with the density, height recommendations or the prioritization as outlined in the implementation, it would be important to know this at this time because it would affect how the City proceeds from here on out. He indicated that he has included in the Planning Division's Fiscal Year 2003-04 funding the traffic study and environmental work. The plan would return to the Council for formal adoption of the plan and the recommended changes to the general plan and zoning would be necessary to implement the Downtown Plan. He stated that it was his belief that the work could be completed within six months.

Mayor Pro Tempore Chang opened the floor to public comment.

Dan Craig, representing the Morgan Hill Downtown Association, congratulated the Task Force for their hard work on the Downtown Plan. He stated that the Downtown Association had the opportunity to provide input and came up with a checklist of things that they wanted to address in the Plan. He offered the endorsement of the Downtown Association for the Plan. He said that the Downtown Association has held meetings about traffic calming techniques in the downtown area. The Downtown Association sees the residential element as a pivotal part of the downtown's future viability. He felt that a lot of the goals to be reached in the downtown will be realized through this portion of the Plan.

No further comments were offered.

Council Member Tate stated that the Downtown Plan was a good guideline and objective. He felt that there were some concrete items that are upfront for the Council to do, from a public policy stand point, and that he would like to move ahead as soon as possible. He said that there is one item that the Task Force does not recommend the City proceed immediately with it as it is a controversial issue. This is the area of traffic calming in the downtown. It was his belief that the Task Force was in agreement that this should be studied at the time that Highway 101 was

physically opened and Butterfield Boulevard extended to Tennant Avenue. If the studies were conducted at this time, the City would be guessing at the impacts associated with these improvements. He said that the City will not know the impacts until these roadways are completed and has some experience with them. He stated that he was not comfortable proceeding with a traffic calming study until the City knows the impacts. He said that there is another issue about the implementation of the Plan. He noted that properties are owned by different property owners and therefore, the City cannot dictate the timing of development of downtown properties. He felt that the City needs a sense of priority of where the Council would like to see things developed. He expressed concern that development would proceed on a first come, first serve basis. He also expressed concern that the first individual who has a project that would enhance the downtown would receive City support and funding. He said that he and Council Member Carr looked at this issue when they studied the economic development strategy in terms of weighing the projects and how they can be prioritized by having a competition to understand the scope of the project. He stated that he was supportive of the plan but felt that the Council needs to start thinking beyond this because the Council cannot dictate to property owners how they will develop their properties. He felt that the Council needs to have some sense of its own priorities in terms of how it would like to see the downtown develop and a sense of moving forward with the Plan.

Council Member Sellers concurred with most of the comments expressed by Council Member Tate. He said that there were three or four items that were mentioned by Mr. Cannon that he would like to comment on. He said that the flood issue was a significant one and that it was discussed. There are several things with this regard that are taking place. He stated that the PL566 project will be a key element because it will mitigate flood concerns throughout every neighborhood and that it would afford the opportunity to perform creek enhancements. He said that the flood issue is a matter of degree, noting that one of the things that staff has agreed to do is look at the flood maps and possible mitigations. The Task Force wants to minimize the parking impacts and enhance parking areas. It was the hope of the Task Force that this issue would be addressed on a regional basis with City measures. He said that alleviating flood issues would facilitate downtown development. He said that one of the things that makes the downtown a special place is that residences are in close proximity to everything. He said that the Task Force received a lot of input from downtown residents and that no one on the Task Force wanted to displace any of the residents. The Task Force wanted to encourage other residential opportunities in the downtown in appropriate ways. The Task Force also supports the conversion of buildings on side streets, particularly along the Monterey corridor. He agreed that the traffic study should be deferred until the Highway 101 expansion and Butterfield Boulevard extension takes place as changes in traffic patterns could be evaluated. It was his hope that the Plan would give property owners in the downtown area options to consider. One of the reasons it is important to have the Downtown Association in existence is that they will be able to do many things on their own (e.g., signage update). He felt that one of areas that the Downtown Association will have a significant input is encouraging ground floor retail along the Monterey corridor and encouraging property owners to be creative and think about retail uses that enhance the overall downtown area. He felt that the Downtown Association will have a large role to play in the implementation of the Plan. He said that the first come, first serve issue was a little more complex in conducting economic development in the downtown. He said that it may make sense to proceed with the first come, first serve process

as it may help to be a catalyst for other development. He stated that he looks forward to being a part of the implementation process.

Mayor Pro Tempore Chang stated that she was adamant about lower density for the City. She stated that she was uncomfortable with the recommended 35-40 units per acre, even in the downtown area. She felt that this was a wonderful Plan and that she was looking forward to a very prosperous downtown. She said that Morgan Hill has always been a low density community with the development of approximately 15-units per acre the majority of the time. She requested that this issue be considered when the Council moves forward with the Plan and/or ordinance amendments. She expressed concern with the building height, as a 42-foot maximum height is what the community is use to and what the Council has restricted the County courthouse to. She encouraged Council members to maintain the 42-height limitation. She liked the third story setback concept. Otherwise, she felt that this was a wonderful Plan with a lot of thought being put into the Plan by Task Force members.

Council Member Carr stated that he was excited about the plan and thanked Council Members Sellers and Tate and the rest of the members of the Task Force for their time into this effort. He was pleased that the Plan, as a guideline, was clarified this evening. He was also pleased that the Plan talks about signage, emphasis on being pedestrian friendly, and improving this part of the downtown as it is important. Landscaping and economic development assistance was also important. Also, important was the emphasis on Third Street as an entryway to the downtown from the train depot. He expressed concern with the flood plain and felt that a significant amount of thought needs to be given to this and how the City will move it along as it can hamper everything the Council wants to do. He stated that he was excited about the emphasis being placed on housing as he is an advocate for housing. He does not share the concern relating to density. He felt that it was important to have the flexibility to judge a project based on the design and the character of what will be developed versus establishing strict guidelines of what can be developed. He appreciated the fact that flexibility was incorporated in the Plan. He felt that flexibility should be emphasized when the Council addresses parking. He would like the Council to continue thinking about flexibility in the residential side of things. In order to develop housing in the downtown, the Council will need to provide a lot of flexibility in terms of parking, height and density to see the desired residential units in the downtown develop. He felt that residential units should be judged on the design and character of the building rather than establishing strict guidelines. He felt that there were a lot of places in the downtown area that the Council should be talking about relating to infill development. He felt that emphasis should be given to infill development throughout the downtown. He expressed concern with the boundary of Main Street, west of Monterey, and felt that the corridor to the civic center is an area that has been neglected for a long time. He felt that there were a lot of opportunities along Main Street and that it could be discussed as part of economic development. He was not suggesting that the Council change the boundaries of the downtown to include this area. He felt that the Plan was a great tool for the Council/City to have and that he looks forward toward implementing different strategies contained within the Plan.

Mr. Rowe noted that Council Members Sellers and Tate indicated that the timing of the traffic study should occur following the completion of the Highway 101 widening and the extension of Butterfield to Tennant Avenue. He confirmed that the Task Force addressed the timing. He inquired

if there was consensus of the Council that the timing of the study should follow the conclusion of these two improvements so that the traffic patterns have a chance to get redistributed. The City could get a better sense of whether congestion is alleviated off of Monterey through the downtown. He noted that two approaches were raised by Council Member Sellers and Tate dealing with projects. Council Member Tate mentioned that rather than looking at projects on a first come, first serve basis that the City consider a competition or some way to establish a prioritization or ranking of different projects. Council Member Sellers felt that the Council could look at individual projects on a first come first serve basis if strict criterion were established in terms of how you gage the different projects. He said that it would be helpful to know if there was a general consensus among the Council whether one approach would be favorable over the other and that it would need to be articulated more fully in the implementation strategies.

Council Member Sellers did not believe that he and Council Member Tate were far apart. He said that several projects would not be looking toward public assistance and would narrow the process. Those that are looking for public assistance would be few in numbers. These projects would experience constraints (e.g., flood control, economic/ownership issues, etc.). It was his thought that these would be self prioritizing anyway. When the City gets down to just a few projects, the City could have a competition or allow prioritization in some way. He did not recommend that the policy be made too broad that individuals do not feel that they can move forward.

Council Member Tate felt that getting proposals down to two or three projects states that the City would be limiting the project in terms of the scope and the timeframe. He stated that he did not want to proceed with a first come, first serve policy. As the City is limited in terms of resources, he felt that there has to be a way to prioritize projects in the downtown area. He felt that he and Council Member Sellers were philosophically apart.

Council Member Carr did not believe that this was a discussion as part of the Downtown Plan. He stated that he would like to hear the economic development strategy plan as this is where the competition idea or the first come, first serve needs to be discussed. He felt that within the Downtown Plan there are sections that talk about a facade improvement program and other types of public assistance. He did not believe that the Council should define how the public assistance works in the Downtown Plan as this is an economic development strategy.

City Manager Tewes referred the Council to page 63 of the draft Plan. He stated that point 5 discusses this issue. Point 5 does not suggest that the Council must now determine what the priorities and criteria are. Policy 5 states that under this Plan, the City will develop a criteria to guide the Agency's decisions and to assist property owners in understanding priorities. Policy 5 further states that the Agency will establish and publish criteria to guide the City's use of the limited assistance and resources available. He indicated that this would be a follow up step on the adoption of the Plan and that the Plan itself does not identify what the criteria is.

Mr. Rowe said that this issue does not need to be resolved this evening, noting that the final Plan will return to the Council for adoption.

Mayor Pro Tempore Chang recommended that this issue be discussed as part of the economic development strategy.

Council Member Carr felt that Policy 5 makes good sense and should be included in the Plan. He noted that when the Council put together the economic development strategy, it relied on the fact that this would be contained within the Plan. He did not know if the Council needed to decide this question this evening.

Council Member Tate stated that he and Council Member Carr have been serving on the Measure P Task Force and believes that they are very compatible with the statements contained in the Plan that refer to the housing in the downtown.

Mr. Rowe noted that there were two council members who weighed in on the density and the desire to have a specific height called out. He stated that it was Mayor Pro Tempore Chang's view that 42-feet would be the appropriate height limit. He requested consensus or direction because this would be important on how staff proceeds with the general plan and zoning ordinance amendments.

Council Member Tate said that he had a strong concern about height going into the Task Force. However, based on the discussions and renderings shown, he still has the concern, but that he would like to look at specific proposals with an open mind before he identifies the absolute maximum height limitation. He felt that there were a couple of Council members that are concerned with the height.

Mayor Pro Tempore Chang recommended that the density be kept as low as possible.

Council Member Carr felt that the Task Force gave a lot of thought and took time in coming up with the density numbers. He felt that economics and aesthetics come into play. He would not be comfortable in changing the density recommendation of the Task Force. He noted that the 35-40 du/acre is a guideline and allows flexibility. He did not recommend lowering the density language contained in the Plan.

Mayor Pro Tempore Chang noted that the general plan does not contain such a high density. To assign one parcel with high density bothers her but that she would abide by the decision of the majority of the Council. However, she recommended that the density for the downtown be at 18-40 du/ac.

Council Member Tate indicated that the density could be changed to 18-40 du/ac.

City Manager Tewes indicated that the City is still committed to enforcing traffic laws in the downtown and that staff is still looking at and evaluating low cost, low investment traffic calming issues.

Council Member Tate clarified that he was referring to the narrowing of Monterey Road and not referring to the calming techniques.

Council Member Sellers said that at the last downtown breakfast meeting, several calming techniques were being considered that have been undertaken by other cities to significantly slow down traffic through the downtown.

Action: *It was the consensus of the City Council to **defer** the major studies on Monterey Road and the traffic calming until the opening of the freeway and the expansion of Butterfield Boulevard to Tennant Avenue. Also, the specifics of the site development standards, as part of the zoning, would return to the Council for future discussion/direction.*

City Council and Redevelopment Agency Action

OTHER BUSINESS:

18. DRAFT ECONOMIC DEVELOPMENT STRATEGY

Director of Business Assistance and Housing Services Toy presented the staff report. He indicated that it may be important that the Council representatives on the Council's Economic Development Committee (EDC) provide their input on the latest draft of the economic development. He stated that the EDC/staff would like to see the adoption of the strategy with any modifications recommended by the City Council/Agency.

Council/Agency Member Sellers indicated that the Council/Agency would be focusing on the overall strategy this evening, particularly focusing on the downtown. He stated that this is an evolving process and that the EDC were guidelines. He said that the Downtown Association and many individuals in the downtown are trying to get a sense of what is available and where the City is heading. He stated that the EDC is not at odds with what was discussed with the Downtown Plan.

Mayor Pro Tempore/Agency Member Chang indicated that early this evening, a question was raised whether the City should proceed with a first come, first serve or proceed with an RFP.

Mr. Toy stated that under this scenario, the EDC envisioned that the Council/Agency would conduct a downtown RFP and that the concept would be that anyone who is thinking of a project would step up and participate in the process. He indicated that this would not necessarily preclude an individual from coming in outside the process.

Council/Agency Member Tate said that the concept, as discussed, went into a three phase process. Phase 1 would not be an RFP but would be a conceptual interest process to gauge what thoughts are out there. If the City receives letters of interest, the City can move into step 2 and see what type of proposal the City could receive based on interest. He clarified that this would be a step by step process. Should the City not receive enough interest in one of the previous steps; you decide not to move into the next step.

Council/Agency Member Carr said that what was discussed in some of the interest steps was providing resources. If the City receives letters of interest and several of them look interesting,

resources could be made available to individuals to further develop their plans. If the City is able to provide assistance to individuals, the City could help move things along.

Council/Agency Member Tate indicated that the EDC did not target funding specifically for downtown.

Council/Agency Member Sellers said that a sound economic development strategy identifies a few catalyst projects that would help a lot of other things happen on their own. He felt that sometimes the most important projects are the ones that are least likely to step forward. By working with the property owners and in encouraging them to develop an opportunity, it might get them to move forward quickly where they would not have otherwise moved forward. He inquired as to what degree the EDC addresses this issue.

Council/Agency Member Carr said that the competition idea is for the expanded downtown area and would not include the freeway area or other areas in the commercial districts. The idea of the RFP is to get individuals to start thinking about development and putting their thoughts on paper, providing the City with some type of interest level following established guidelines. It is not being proposed that the City require the submittal of the entire proposal initially. The City could provide some type of resources for individuals willing to go to the next level.

Council/Agency Member Sellers inquired how the City would ensure that projects step forward. He felt that the EDC recommendation was to request that the property owners take the first step, noting that some of the most important projects would not take the first step as they could be out of town landowners or that they do not want to move forward with development. He recommended that the City become proactive and identify projects on its own instead of waiting to see who approaches the City. He said that there may be a key project that did not step forward and that the City should not preclude an opportunity that might exist.

Mayor Pro Tempore/Vice-Chairperson Chang opened the floor to public comment.

Alex Kennett indicated that the Chamber of Commerce's Economic Development Committee (EDC) was tasked to come up with a marketing plan for both tourism and economic development. In May of last year, the marketing plan was presented to the Council/Agency. Not only did the plan bring out the results of this effort but also brought up more questions than it answered. In the meantime, there is a question on how economic development is measured, indicating that the Chamber has found many ways to measure economic development. He thanked the Council/Agency for its efforts and encouraged the passage of the economic development strategy as written or with whatever modifications may be deemed appropriate. He felt that the Chambers EDC will take this as its guiding document. The Chamber would like to return within 45-days that would support the Council's direction using the extra dimension of marketing to make it happen. He felt that it was important that Morgan Hill was marketed properly and that the Chamber believes that it has the resources to do this and within current budget guidelines. He stated that the opportunity is in the Council's hands and he encouraged the Council to be as specific as it can, realizing that not each and every situation can be addressed at any given date. When the Chamber

returns in 45-days, all of the Council/Agency members will have been a part of the make up of the plan that will be presented by the Chamber.

Frank DeRose, 5182 Lanlor Avenue, Fremont, indicated that he is one of the owners of the DeRose property in the Walnut Grove PUD that is being proposed in Action 1f of the Economic Development Strategy. He stated that the owners of the DeRose property are in the final stages of forming the DeRose Family LLC to facilitate interaction between his neighbors, the City, and the family; thereby promoting development of their property. He indicated that the DeRose family wishes to support action 1f of the strategy that would prepare PUD guidelines for the Walnut Grove area to make it ready for development. The DeRose family is anxious to participate in the preparation of the PUD guidelines and stand ready to provide their input. As one of the managers of the DeRose Family LLC, he requested that staff use him as the official contact point for all communications between the City and the owners of the DeRose property. He requested that the DeRose family be notified of all meetings where issues relating to his property, the Walnut Grove PUD, and the PUD Guidelines are being discussed. He looks forward to working together with the Planning Commission, City Council and his neighbors to create a unified plan that will result in the best possible outcome for the PUD. He inquired if there was a cost established or time table in place whereby the City would be moving forward with the development of the PUD guidelines. He inquired who would be the City's representatives that he could expect to be dealing with and the timeframe. He said that the Walnut Grove PUD is an excellent example of a project ready and willing to move forward.

City Manager/Executive Director Tewes said that should the Council adopt the strategy; the next step would be for the City to appropriate funds to conduct the study. He indicated that staff members from the Planning and Business Assistance Departments will try to put together a set of PUD guidelines that reflect the City's General Plan goals and sense of reality in terms of development potential, bringing in some business sense into the development of these guidelines. Staff will work with the DeRose family and was appreciative that the family is willing to work with the City and set forth a specific work plan with schedules and milestones. He clarified that a schedule has not been identified at this time as the economic development strategy has not been adopted by the Council.

Sunday Minnich, Executive Director of the Morgan Hill Chamber of Commerce, thanked the Council for including the Chamber and asking for its comments. She thanked staff for keeping the Chamber involved and providing the strategy in advance of tonight's meeting. She stated that the Chamber was excited about the strategy coming close to completion. The Chamber is looking forward in continuing its partnership with the City, Council and staff. Based on the Council's adoption of the economic development strategy, the Chamber would like to go back and modify the marketing plan that it had given to the Council, taking into account the economic development strategy and working with the Council toward implementing the strategy and moving toward the future.

No further comments were offered.

City Manager/Executive Director Tewes indicated that the Redevelopment Agency plan provided for \$147 million and that the Council went through a long process to set priorities and allocations. The Council allocated a total of \$16 million toward economic development. A little more than \$9 million of this amount has already been spent or committed with approximately \$6-\$7 million still available. From this limited pot, the Agency would like to do many things such as financing historic resources, on going grants and loans to small businesses for facade improvements, conduct various studies, etc. In recognition that there is a limited amount of money for economic development remaining and the desire to focus some of this toward the downtown, the subcommittee suggested that the Agency take \$1 million and apply it to the downtown, take \$1 million allocated for public improvements, and take \$1 million in housing funds and focus these on the downtown. It was the committee's hope that the combined \$3 million would be enough to attract interest. In discussing the first come, first serve versus the RFP approach; it was the Committee's view that they did not want to only address the first project in the door without knowing the options which may have higher priority. Therefore, the notion of the three phased request for proposal starting with a letter of interest is to make sure that every potential project is identified. The City could ask private property owners what they are interested in doing and that Council could identify other potential catalyst projects. What should be avoided is dealing with the first project that comes into the door and running out of money only to see that the next project was of a higher priority. It is the notion to get everything identified and then see what the City has to work with and allocate resources to develop some of the ideas to the next level of evaluation.

Council/Agency Member Tate referred to Action 1f addressed by Mr. DeRose. He said that had he been asked a month ago, he would have stated that he would not have recommended this action be a part of the strategy because it results in spending some funds to perform a study. However, after what the Council has been through the past few months, he felt that it was essential that the City perform a study for a specific parcel but that the Council take the lessons learned from the parcel and take the study beyond this. He noted that the City has PUDs in place in several locations. The City needs to evaluate whether the PUDs are the right ones. The lessons learned could be applied to existing and other potential PUD areas to make sure that the PUDs are in tune with the spirit and the direction of the general plan.

Council/Agency Member Sellers thanked the Council members who spent a lot of time in developing the economic development strategy guidelines. He felt that this would be the first step in moving forward at a more rapid pace. In reviewing the goals, actions and policies, there were a couple of things that caught his attention. He felt that one area that was over looked was that of creating quality jobs, diversifying and enhancing a local economic base, and enhancing/maintaining the quality of lives. He felt that there was an opportunity of assisting businesses that would serve as catalyst for other desirable businesses. He would like this to be specifically called out as an opportunity. He felt that a goal of the study should be to identify new industries and new opportunities and to some degree, focus on the ability to attract one or two new businesses. He stated that he was anxious about the industry/business analysis as there is significant value that can come out of a business and industry analysis. However, there could also be a potential for significant duplication and that there is a chance of getting a boiler plate response back. He would like to be specific as opposed to general as the City proceeds. He inquired whether there was a reason the Council may want to wait until the Council receives clarification on the role of the

Chamber and/or the City has some of the other projects underway (e.g., await to see success of the Walnut Grove project). Also, with the leadership of the Downtown Association, they will be undertaking some of this work. He did not want the Council to assume that this had to be the next step because there may be other things that can be done that may make a survey a more valuable document. He felt that this was something that the Council/Agency should think about as well without slowing down the process. He said that the Council discussed changing membership to the economic development subcommittee. He stated that he was excited about the potential of serving on the subcommittee, noting that staff indicated that this was a rotating subcommittee.

Mayor Pro Tempore/Vice-chair Chang referred to goal 2b and inquired as to the timeframe that relates to the \$3 million downtown program.

Council/Agency Member Carr stated that he would like to see the program implemented as soon as possible and that a statement be made that the Agency would use the updated Downtown Plan to evaluate proposals.

Mayor Pro Tempore/Vice-chair Chang inquired whether an action 2f could be added to state that there is to be something for the downtown after goal 2b is achieved. She felt that it was a great idea to have \$3 million for the downtown as a starting point. She noted that funding was not identified for the other goals or actions.

Council/Agency Member Tate said that to the extent that monies have been identified relates to these actions, staff has put these into a memo that was distributed separately from the Council packet. He said that the memo contains a status report on each of the actions. In some of these actions, funding has been identified. He clarified that \$1 million comes from the unallocated economic development funds. If the analysis is conducted, funding would come from the same source. He said that the committee addressed the catalyst businesses and the importance of building upon this.

Mr. Toy said that business catalyst is part of the Business Assistance Guidelines.

Council/Agency Member Tate said that the economic development committee will be meeting this Friday and that it needs to find a way to incorporate catalyst businesses.

Council/Agency Member Carr said that every time the committee talks about the plan, it talks about leveraging the City's money. He felt that the City should be thinking about catalyst projects that leverage the City's money. He felt that this would fit nicely under policy 1b or as its own policy.

Council/Agency Member Tate agreed that the City could put out a contract and receive several boiler plate generic materials back. This was not what the committee was suggesting. He noted that Council/Agency Member Sellers suggested that it might be better to wait until after the City knows what its relationships is with the Chamber. He felt that there was a dependency on the relationship. He felt that what the Council/Agency would be asking the marketing plan to capitalize on these things. He said that at the Chamber's economic development committee meeting, Bob Martin, Media Arts, brought in some examples of these kinds of studies performed

for the Thomas Kinkade Galleries. He said that these studies were very enlightening. If put together right, and the City asks for the right kind of analysis to be performed, the City can be assured that it would get what it is looking for. Regarding rotation of the membership of the economic development committee, he said that the committee wanted to get to the point where the Council adopted the strategy and begin the implementation. He said that within a month or so he would be willing to turn over the reigns. The committee would like to get the strategy off the ground and make sure that the committee's thoughts were implemented.

Council/Agency Member Carr stated that should the Council move forward this evening and there is the inclusion of the idea of the competition and the RFP, he would like to be a part of getting this implemented and started. He agreed that the Council should consider a rotating policy (e.g., six months or a year). The committee felt that it would be a good idea to protect existing businesses and the downtown. The question is whether the Council wants to proceed to the extent of developing a policy that requests that large retail development not be in direct competition with smaller downtown businesses.

Council/Agency Member Tate said that the committee wants the downtown to be vital and to thrive. The Committee wants to protect them from encroachment. On the other hand, he stated that this is a free enterprise system that the City is dealing with. He did not know what role city government should play in regulating free enterprise and in protecting existing businesses.

Council/Agency Member Sellers said that this is an issue that is being dealt with by quite a few jurisdictions. He did not know whether the City was following the Gilroy system to allow for businesses to come in where there is already existing businesses and a city is just recirculating dollars. He felt that the City was dangerously doing this with fast food restaurants. If the City is not going to end up with an employee base that has the same stability, benefits or other opportunities that currently exist, then the city is doing a disservice to the community, particularly in a place like Morgan Hill where the cost of living is so high. Once a city allows a business to come in that kills several local businesses, you cannot reverse the process. He noted that local businesses generate a lot more reuse of funds than larger businesses. He agreed that you never want to get into the whole issue of muddying the water to much as far as free enterprise is concerned. However, the City has a role of evening the playing field in making sure that the community's best interests are met. He felt that these are issues the Council may want to look at as it moves forward. The City would need to look at the gateway project at Walnut Grove and its relationship to the downtown; not because you will destroy the businesses downtown but that you are making these kinds of choices. The Council has to be cognizant of the fact that it is making these choices.

Council/Agency Member Carr agreed with Council/Agency Member Sellers that there is a role and place for something like this but that to the degree of what that is, he was not sure. He noted that staff will be evaluating other programs to see what is out there so that the City can get a better understanding of this.

Council/Agency Member Sellers stated that the vast majority of economic development in new business occurs without city assistance. He said that granting a large subsidy to new businesses

becomes a public policy issue that needs to be addressed. He said that the City does not always need to throw its money into the pot to make things work. He felt that the City needs to ask if a project would proceed without city assistance and whether the city needs to be involved in order to make a business a viable project. He did not believe that the Council should always assume that the City's money is needed to make the business viable.

Mayor Pro Tempore/Vice-chair Chang said that if the City needs to provide money to attract a large retail development, the City needs to make sure that it does not over do it and hurt local businesses. However, if a business proceeds without city assistance, she felt that the City should leave the business alone to some extent. She stated that she would not be willing to assist a business that would impact local businesses.

Council/Agency Member Carr said that the strategy is more about establishing a marketing image, working with partners to do this. He said that one of the things the City needs to do is to bring things to the table to make Morgan Hill an economically vibrant area so that private industry shows a greater interest.

Mayor Pro Tempore/Vice-chair Chang felt that there was a need to get a good large retail center in the City that can meet the needs of the community and generate tax dollars versus an auto dealership.

Council/Agency Member Carr recommended that the policy A be included with action 1. He felt the City needs to be able to understand what this means by researching what other agencies do to see what will work best for Morgan Hill. He felt that the economic development strategy should try to protect the downtown plan as well.

Action: *On a motion by Council/Agency Member Sellers and seconded by Council/Agency Member Carr, the Council/Agency Board, on a 4-0 vote with Mayor/Chairman Kennedy absent, **Adopted** the Draft Economic Development Strategy (EDS), with the changes and suggestions raised this evening.*

Redevelopment Agency Action

OTHER BUSINESS:

19. MORGAN HILL DOWNTOWN ASSOCIATION'S ANNUAL PROGRESS REPORT

Director of Business Assistance and Housing Services Toy presented the staff report.

Dan Craig, Morgan Hill Downtown Association, presented a year end progress report on the work program. He felt that the Association has been successful in giving downtown businesses and residents a representative voice at city hall and throughout the community. The Association has established itself as a viable entity. He indicated that a membership drive has been initiated, businesses are advertising, expanded the newsletter format, developed a downtown website that will be live and will be the key to providing information to businesses and the worldwide audience.

Within the next two months, the Association plans on returning with a detailed budget and work scope. The Association feels that it needs to come up with a realistic plan and time table for future funding and less dependency on the City.

Agency Member Tate said that he and Mr. Craig had a conversation at the Business Expo this afternoon. He indicated that he has been working with the Youth Empowered for Success (YES) organization on coming up with positive activities that youth can get involved with and perform over the summer. One of the ideas discussed was getting involved with a mural, noting that the Association listed a downtown mural. He felt that there may be a fit and that it is encouraging that the City is looking for something that the youths may want to make a contribution to.

Agency Member Sellers noted that the Downtown Association has completed quite a bit. It was indicated that the Association would be asking for fewer funds in subsequent years. He felt that next year's budget request would be similar to this year's request and would go down in subsequent years.

Mr. Craig said that the Association does not want a big drop off in funding assistance in its second year. On the other hand, the Association felt that it was necessary to start challenging itself to adapt to other sources of income. The Association would be requesting a reduced amount of funding and to do its best to live up to the terms of the three-year agreement.

Agency Member Carr stated that he was glad to see that one of the first steps to be taken by the Association was to increase its membership and to look for ways to become self sufficient. He said that one of the things he hears from individuals is that the City needs to look at newspaper racks and how to improve their appearance in town. He requested that the Downtown Association give thought to this issue.

Vice-chair Chang stated that she was driving in the downtown area and noted that some of the flags were removed. She inquired who she should contact regarding the flags.

Mr. Craig said that the flags were part of a process that the Downtown Association was going through in transitioning responsibilities. He stated that the Association is now the responsible party and that a meeting will be held next week to discuss the poles. The Association is thinking of putting the banners back up and will work with the flags. He stated that the Association will address the conditions of the flags and watch the situation more closely.

Action: *By consensus, the Council **Accepted** the Morgan Hill Downtown Association's Annual Progress Report for Fiscal Year 2002-2003.*

20. FAÇADE IMPROVEMENT PROGRAM

Action: *At the request of the applicant, Charles Weston, this item was **continued** to May 21, 2003.*

FUTURE COUNCIL-INITIATED AGENDA ITEMS

No items were identified.

ADJOURNMENT

There being no further business, Mayor Pro Tempore/Vice-Chairperson Chang adjourned the meeting at 10:15 p.m.

MINUTES RECORDED AND PREPARED BY:

IRMA TORREZ, CITY CLERK/AGENCY SECRETARY